

The logo for Primen, featuring the word "Primen" in a large, bold, grey sans-serif font, oriented vertically on the left side of the slide. A thin vertical line runs parallel to the text.

Overcoming Green Energy Hurdles: Closing the Purchase Gap

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The main points for green energy marketers

Green energy products can achieve penetration much greater than the current average of 1-2%

New data and models show where green energy product marketing can be transformed

- ▶ Most customers unaware of green energy products
- ▶ Redesigned media approaches can lower customer acquisition costs, allowing more marketing contacts
- ▶ Emotional messages and emotional advertising techniques can boost response rates to direct mail solicitations to the 4%-5% range

Renewable generation supported by green energy marketing can be dramatically increased

About the authors



Non-profit consortium

Delivers science- and technology-based energy solutions

- ▶ Collaborative research programs

Key asset:

Renewable Energy Technical Assessment Guide



Member of the EPRI Family of Companies

Delivers business intelligence on retail energy sector

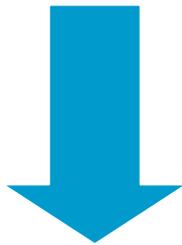
- ▶ Subscription-based
- ▶ Customized

New offering:

Renewable Energy Information Service

Our problem

70%-80%



Support renewable energy
Report they would pay new taxes
Say they will buy green energy



1-2%

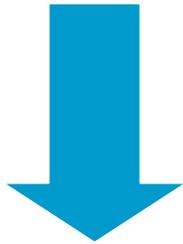
Utility green energy average
penetration



We are not alone

70%-80%

Support the environment
Report they would bear new taxes
Say they will buy green products



<10%

Contribute or belong to
major environmental groups



Other industries have the same problem

Researchers have developed predictive models by:

- ▶ Asking customers their buying intentions
- ▶ Launching the product
- ▶ Recontacting customers to find out whether they bought the product
- ▶ Determining an “adjustment factor” that accounts for the difference

How many people actually buy Product X?

	Infosino	Morwitz	Pickering	Skenderoff	Bass
Those who say they <i>will</i> buy	25%	14%	15%	34%	14%
Those who say they <i>won't</i> buy	4%	3%	7%	5%	8%

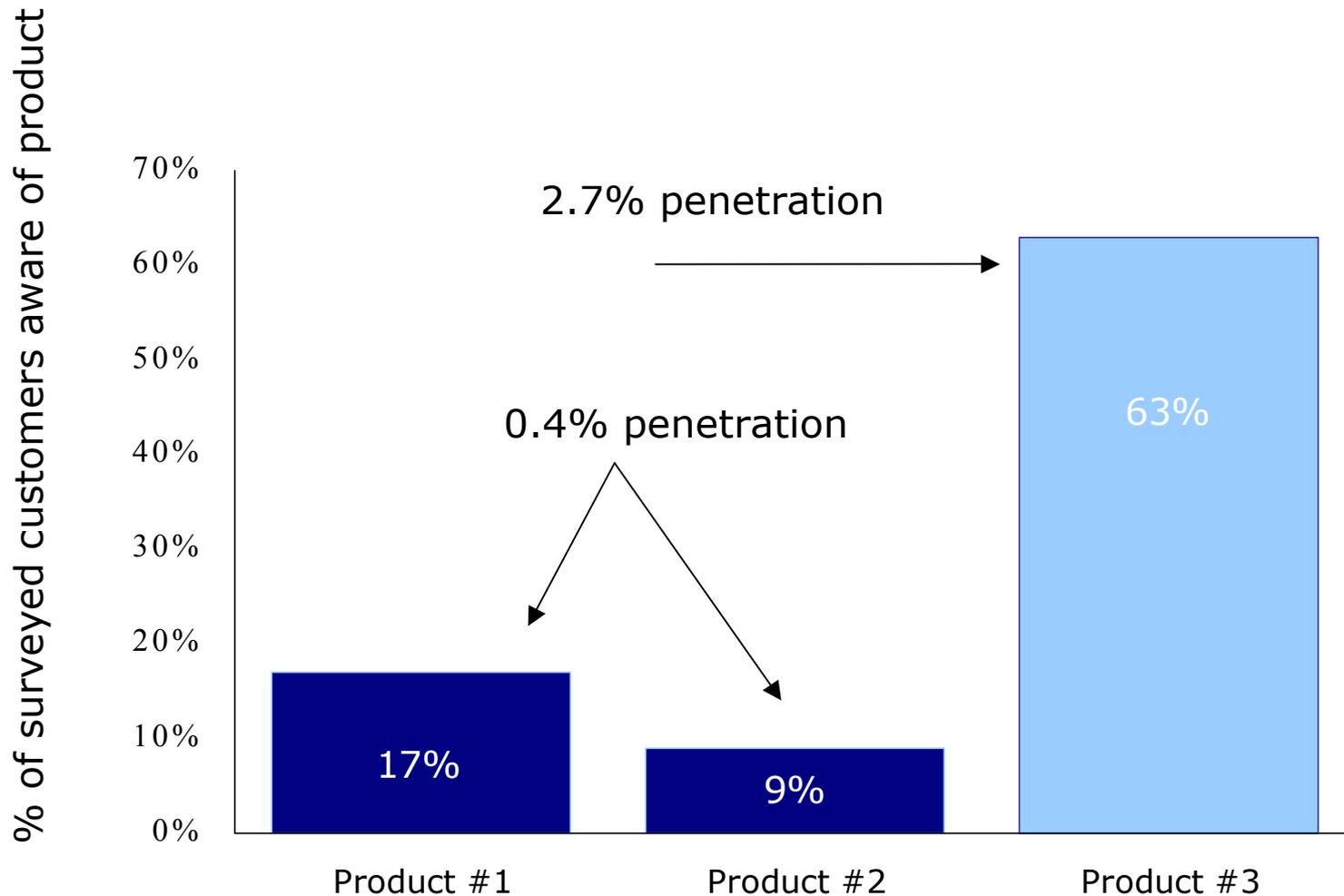
Understanding our problem

Following the steps customers make in buying products

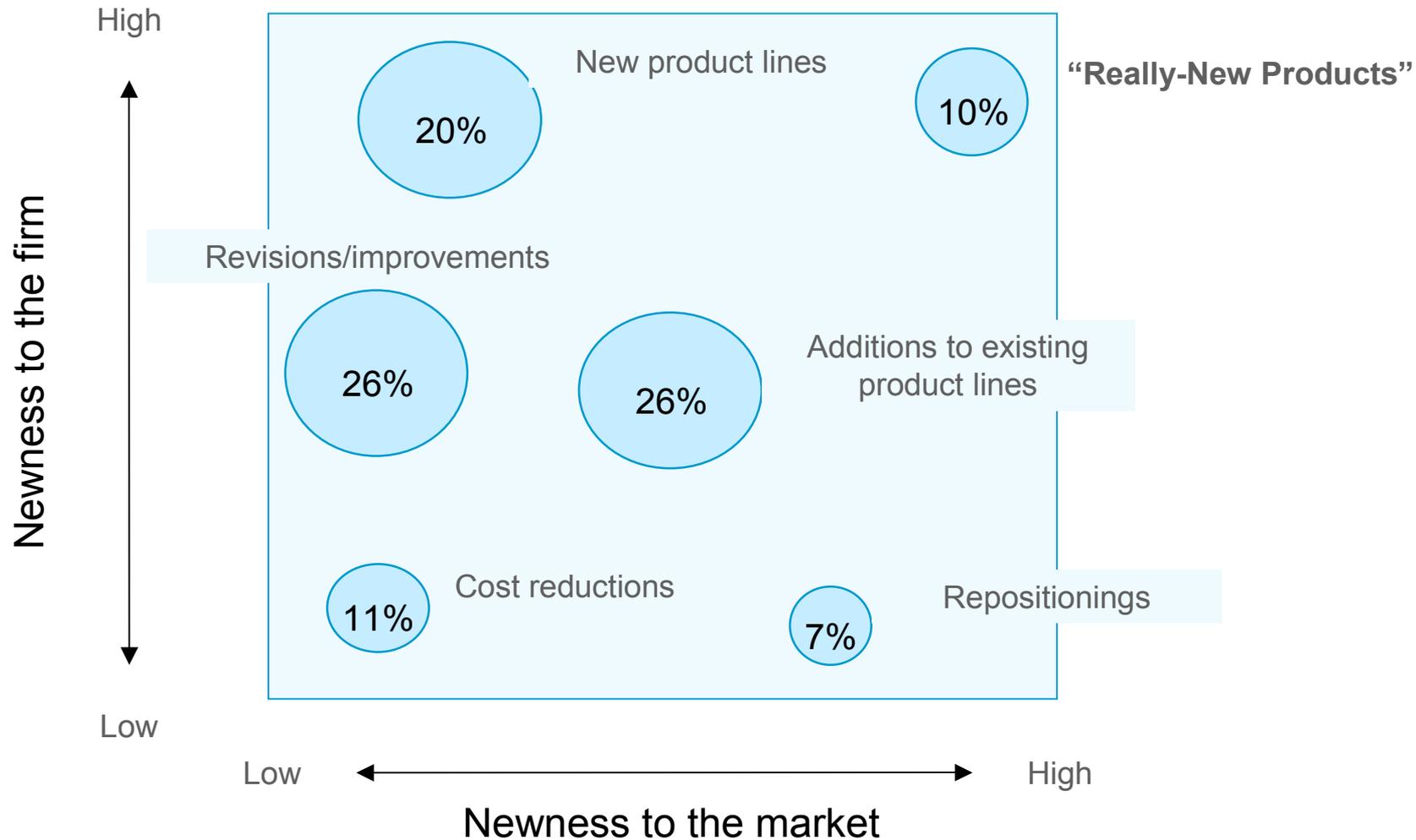
- ▶ We can measure these steps directly
- ▶ We can identify the steps at which customers drop out
- ▶ We can fix some of the problems that are snagging the purchase process



Measuring the first step: awareness



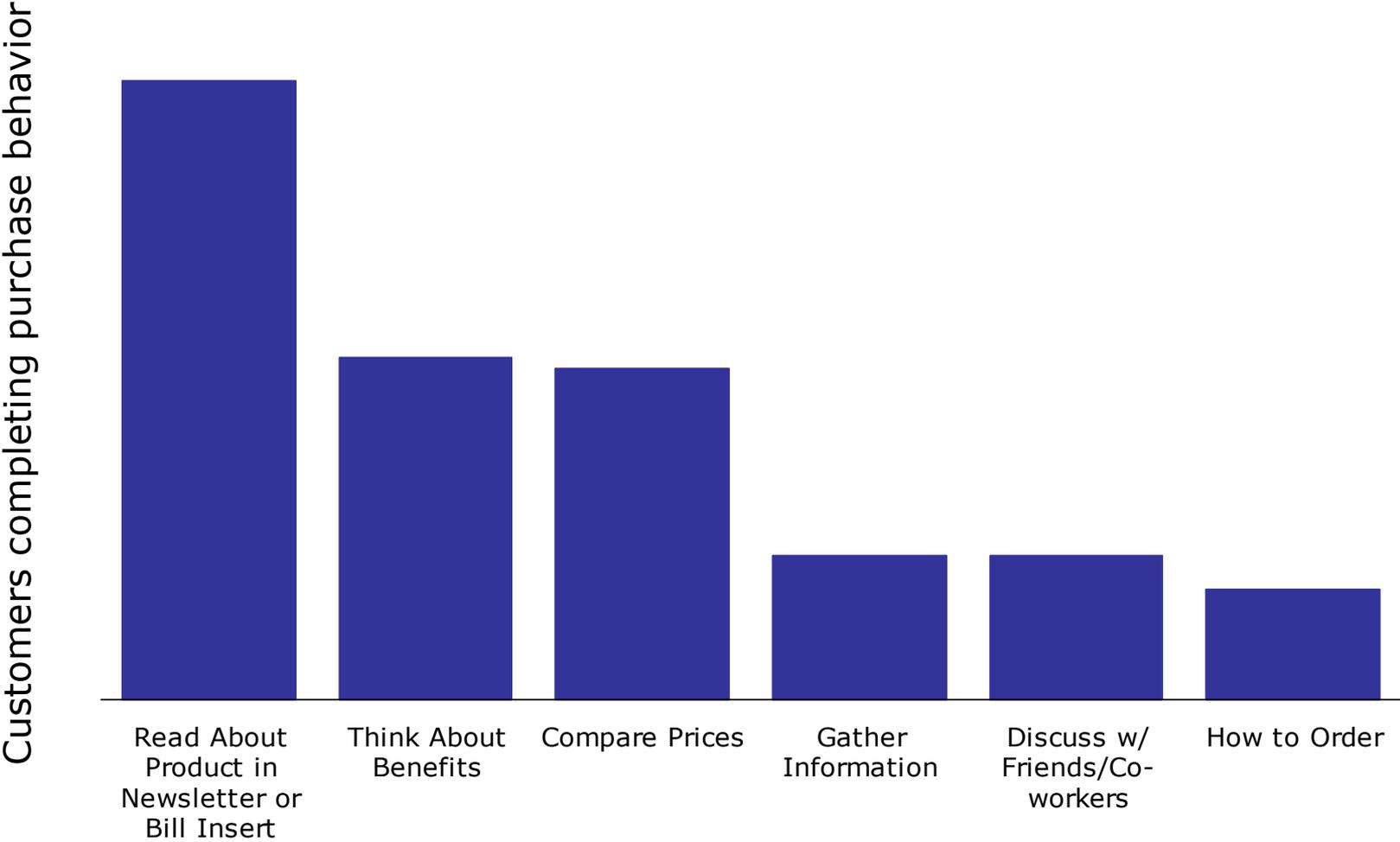
Why is our problem so tough?



Source: Booz, Allen & Hamilton, 1982

Overcoming the Hurdles at GPM8
11/4/03

Measuring the next steps



What is a “*really-new product?*”

Really-new products are qualitatively different

- ▶ Revolutionize product categories
- ▶ Represents new technologies
- ▶ Requires customer learning
- ▶ Or all three!

Really new products require qualitatively different institutional strategies

- ▶ Harder to create awareness of RNPs
- ▶ Newness creates distrust among potential customers
- ▶ Raise doubts about their performance
 - Intangible products such as green energy are especially susceptible

Fixing our problem #1: potential penetration

Moorhead Public Service's *Capture the Wind*

- ▶ Current penetration 5.8%, peak penetration more than 7%
- ▶ Penetration achieved in fairly brief marketing campaigns highlighting direct mail and public relations

Market simulations have demonstrated penetration potentials between 8.6% and 10%

- ▶ Widely varying regions of the U.S.
- ▶ Different products and prices

Fixing our problem #2: customer acquisition costs

Really-New Products require more advertising to generate awareness, overcome doubts, and finish the purchase cycle

A number of programs now cite acquisition costs around \$100 per green customer

- ▶ A typical direct mail solicitation with a 1% return rate costs about \$100 per green customer
- ▶ Costs have run over \$400 per green customer in some markets

Primen staff have created direct mail solicitations with return rates in the 5% range. This lowers acquisition costs to \$20

- ▶ Product #3 sent out a loosely targeted (mostly geographic) direct mail piece and received a 5.6% response rate

Fixing our problem #3: emotive advertising

Advertising for *Really-New Products* must focus on product benefits

- ▶ The benefits of green energy to customers are emotional
- ▶ Advertising using emotional messages and advertising techniques is significantly more effective

Advertising messages that have not worked well include:

- ▶ Wind generator nacelle weights, tower heights and turbine speeds
- ▶ Program specifications and extensive descriptions of how the program works
- ▶ Advertising focusing on customer choice or markets

Why is our problem important?

Green
Energy
Marketing



Renewable
Portfolio
Standards

Fuel Price
Hedge

For further information...

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Helpful resources

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